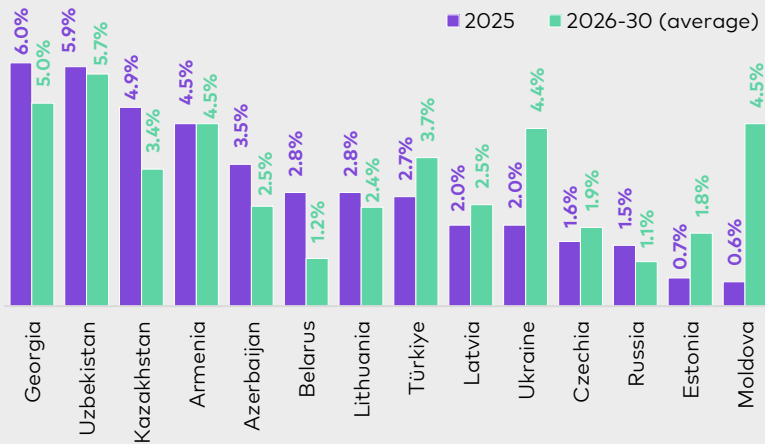




## Chart of the month: IMF keeps Georgia's 2025 growth forecast at 6.0%



Source: IMF, WEO, April 2025

Based on IMF's updated global economic outlook in April, global growth has been revised downward to 2.8% for 2025, a decrease of 0.5ppts from its previous projection. This decline is mainly attributed to new tariff measures introduced by the US and countermeasures from its trading partners, which have raised effective tariff rates to levels not seen in a century.

For Georgia, the IMF has maintained its growth forecast at 6.0% for 2025. We estimate, that a 10% US tariff on Georgian exports to US will have minimal direct impact on growth. However, if the US maintains tariffs worldwide, the resulting global slowdown - particularly in Georgia's key trading partners - could indirectly lower Georgia's growth by up to 0.5ppts.

### Economic summary

**Growth:** Georgia's economic growth was 9.0% y/y in Mar-25, after a 7.7% y/y growth in previous month. Cumulatively, real GDP growth reached 9.3% y/y in 1Q25. This growth was mainly driven by increased activity in the ICT, professional & scientific, financial, transport and construction sectors, while manufacturing sector contracted. We forecast Georgia's real GDP growth at 6.8% in 2025.

**Inflation:** In Mar-25, annual inflation in Georgia rose to 3.5%, up from 2.4% in the previous month. This increase was mainly driven by a further rise in domestic inflation to 4.0% y/y in Mar-25 (up from 3.0% y/y in Feb-25), along with a 5.7% y/y rise in mixed goods inflation (up from 3.1% y/y in Feb-25). Meanwhile, imported inflation was just 0.2% y/y in March (down from 0.5% y/y in Feb-25). Notably, core inflation, excluding volatile food, energy and tobacco prices, increased to 2.4% y/y in Mar-25, following a 2.0% posted in previous month. We expect average annual inflation at 3.7% in 2025.

**Monetary policy:** On March 12, 2025, the Monetary Policy Committee of the NBG maintained its key interest rate unchanged at 8.0%. This decision considered January's strong economic growth, rising inflation in February and the increased global uncertainty from tariff policies. The NBG anticipates inflation to converge its target level in 1H25, with a potential temporary increase before stabilizing around 3.0% in the medium term. We anticipate that the NBG will maintain the refinancing rate at 8.0% throughout 2025.

**FX:** In Apr-25, the GEL further strengthened by 0.6% m/m against the USD, supported by FX inflows and a global weakening of the dollar. Notably, GEL's appreciation trend enabled the NBG to intervene in the FX market by purchasing US\$ 101.7mn to replenish its FX reserves. We now anticipate average GEL/1\$ at 2.82 in 2025, revised from previous forecast of 2.85.

### Activity

**Trade:** In Mar-25, goods exports increased by 8.2% y/y to US\$ 565.8mn, rebounding from a 7.1% y/y decline in previous month. Similarly, goods imports rose by 14.3% y/y to US\$ 1.4bn, following a 3.9% y/y decrease in previous month. As a result, the trade deficit widened by 18.7% y/y to US\$ 836.8mn in Mar-25. The growth in exports was mainly fueled by increased exports of cars, precious metals, spirits, nuts, aerated and mineral waters. In contrast, exports of wine, ferro-alloys and copper declined markedly. On the import side, the increase was largely driven by rising imports of pharmaceuticals, tobacco, bars and rods of iron, automatic data processing machines and phones.

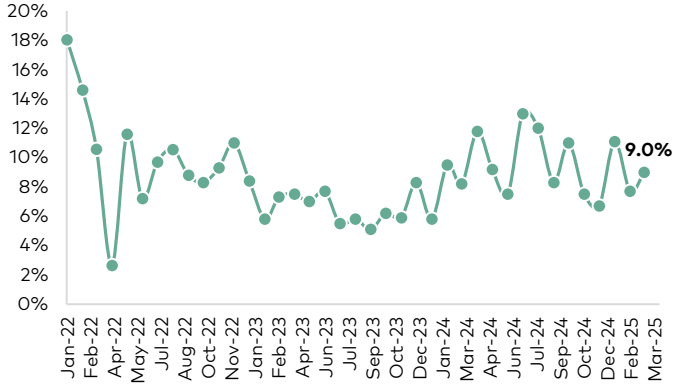
**Tourism:** In 1Q25, international visitors to Georgia increased by 1.3% y/y to 1.2mn persons. This growth was mainly driven by a 2.2% y/y increase in tourist arrivals, which accounted for 81.8% of total arrivals. Meanwhile, same-day arrivals fell by 2.4% y/y in the same period.

Tourism revenues increased by 2.3% y/y to US\$ 826mn in 1Q25. We forecast tourism revenues to reach US\$ 4.5bn in 2025.

**Banking sector:** In Mar-25, the bank loan portfolio grew by 16.6% y/y (excl. FX effect) to GEL 63.4bn (US\$ 22.9bn), following a 17.4% y/y growth in previous month. This growth was mainly driven by legal entity loans, which increased by 17.9% y/y, along with a 15.5% y/y increase in retail loans. On deposit side growth was 11.3% y/y (excl. FX effect) to GEL 58.5bn in Mar-25, compared to a 11.8% y/y growth in Feb-25. Additionally, in Mar-25, the deposit dollarization rate reduced further to 52.8% (-0.35ppts m/m) and loan dollarization stood at 43.1% (unchanged m/m) in March.

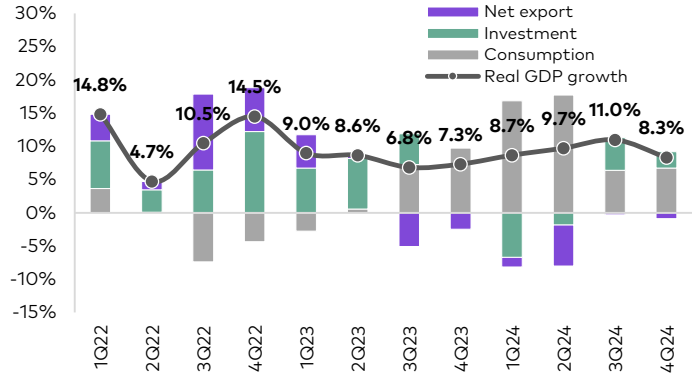


**Real GDP growth, % change y/y**



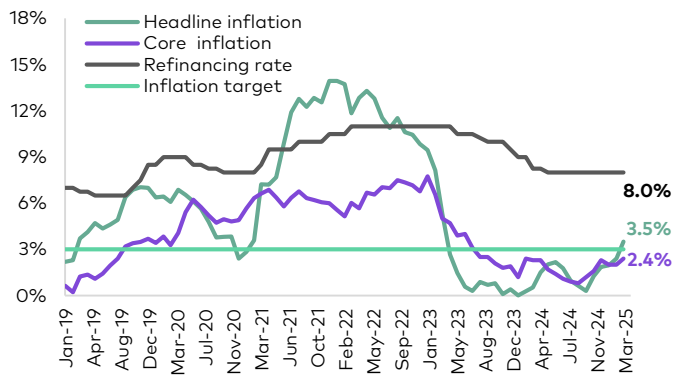
Source: Geostat

**Contributions to real GDP growth, ppts**



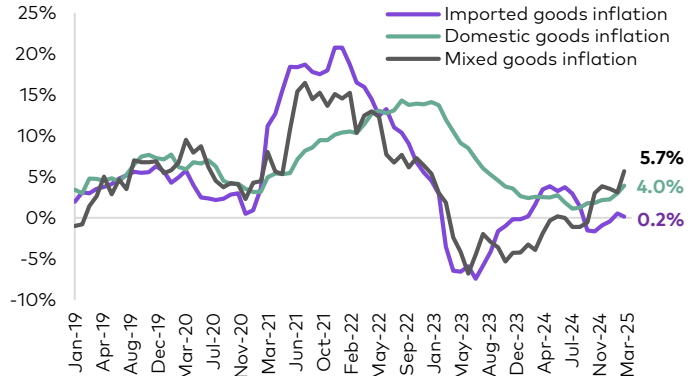
Source: Geostat, Galt & Taggart

**Annual inflation and monetary policy rate**



Source: Geostat, NBG

**Imported and domestic inflation dynamics**



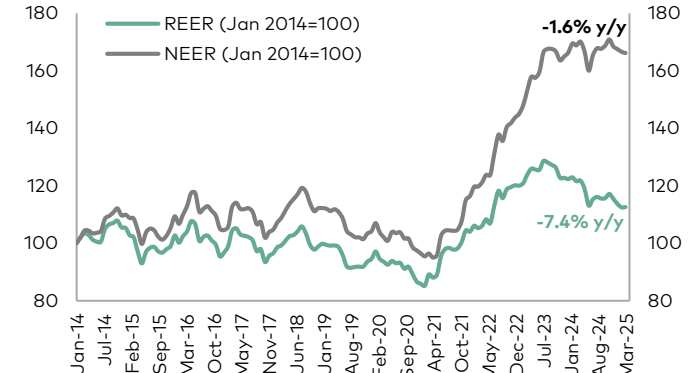
Source: Geostat

**GEL/US\$ and GEL/EUR**



Source: NBG

**GEL's nominal and real effective exchange rates**

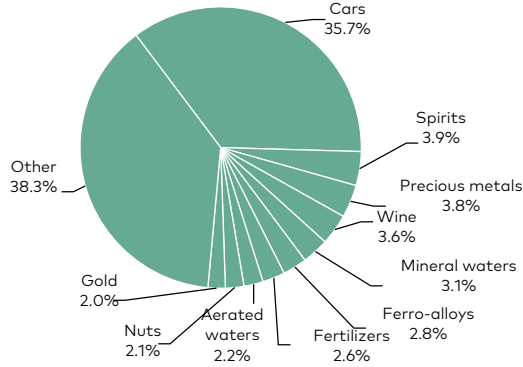


Source: NBG

Note: Index growth/decline means appreciation/depreciation of GEL

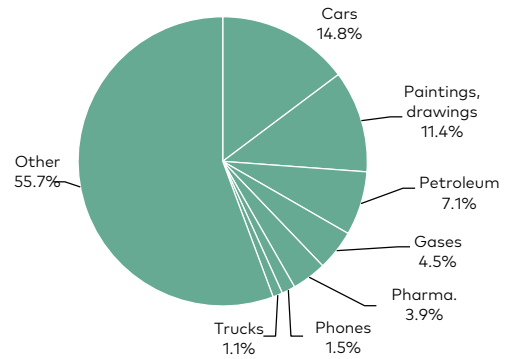


**Exports by product, 1Q25**



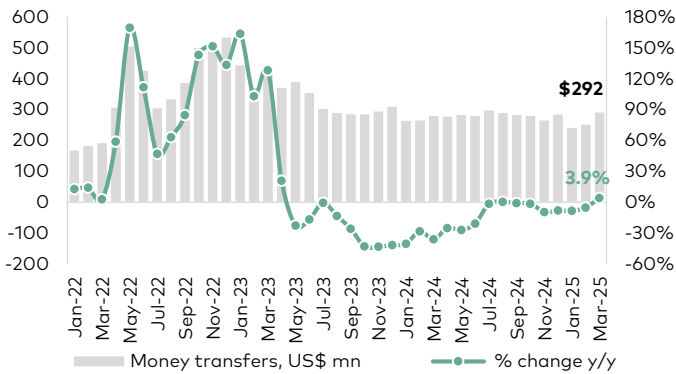
Source: Geostat

**Imports by product, 1Q25**



Source: Geostat

**Money transfers to Georgia**



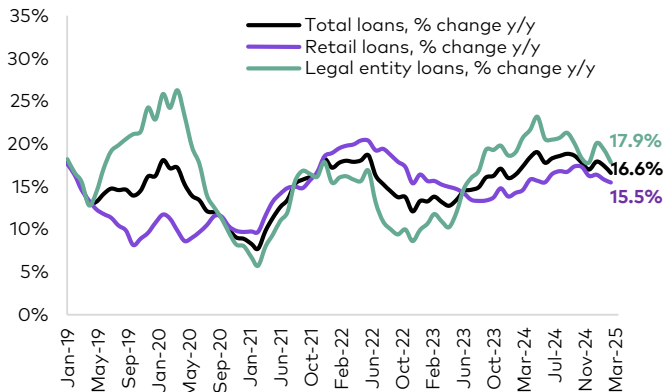
Source: NBG

**Tourism revenues, US\$ bn**



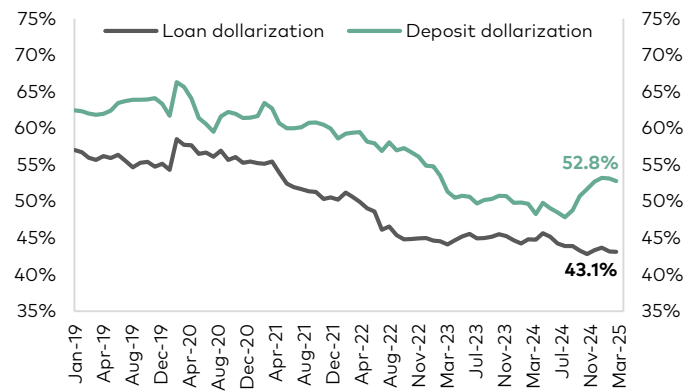
Source: NBG

**Banking sector loan portfolio growth by sector, (excluding FX effect)**



Source: NBG

**Banking sector loan and deposit dollarization**



Source: NBG

**Macro data and baseline forecasts**

Georgia	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025F
<b>GDP and Prices</b>											
Nominal GDP, GEL bn	34.5	36.6	41.3	45.4	49.7	49.8	60.7	72.9	80.9	91.9	101.4
Nominal GDP, US\$ bn	15.2	15.4	16.5	17.9	17.6	16.0	18.9	25.0	30.8	33.8	36.0
Nominal GDP per capita, US\$	4,085	4,143	4,420	4,804	4,741	4,301	5,084	6,731	8,284	9,141	9,720
Real GDP, % change y/y	3.4%	3.4%	5.2%	6.1%	5.4%	-6.3%	10.6%	11.0%	7.8%	9.4%	6.8%
CPI Inflation, ave	4.0%	2.1%	6.0%	2.6%	4.9%	5.2%	9.6%	11.9%	2.5%	1.1%	3.7%
CPI Inflation, eop	4.9%	1.8%	6.7%	1.5%	7.0%	2.4%	13.9%	9.8%	0.4%	1.9%	3.5%
GEL per US\$, ave	2.27	2.37	2.51	2.53	2.82	3.11	3.22	2.92	2.63	2.72	2.82
GEL per US\$, eop	2.39	2.65	2.59	2.68	2.87	3.28	3.10	2.70	2.69	2.81	2.85
GEL per EUR, ave	2.52	2.62	2.83	2.99	3.15	3.55	3.82	3.08	2.84	2.94	3.08
GEL per EUR, eop	2.62	2.79	3.10	3.07	3.21	4.02	3.50	2.88	2.98	2.93	3.11
GEL per GBP, ave	3.47	3.21	3.23	3.38	3.60	3.99	4.43	3.62	3.27	3.48	3.63
GEL per GBP, eop	3.55	3.26	3.50	3.40	3.76	4.45	4.17	3.26	3.42	3.53	3.71
Population, mn	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
<b>Government Finances</b>											
Budget revenues, % of GDP	27.0%	27.5%	27.0%	26.5%	26.4%	25.3%	25.6%	27.2%	27.9%	28.7%	28.4%
Budget expenses, % of GDP	28.1%	28.9%	27.8%	27.2%	29.1%	34.5%	31.9%	29.6%	30.2%	31.3%	30.9%
Fiscal balance (-deficit), % of GDP	-2.4%	-2.7%	-2.7%	-2.2%	-2.1%	-9.2%	-6.0%	-3.0%	-2.4%	-2.4%	-2.5%
Public debt, % of GDP	36.0%	39.5%	38.9%	38.2%	40.0%	59.6%	49.1%	39.2%	38.9%	36.1%	35.9%
<b>External Sector</b>											
Current account, US\$ bn	-1.8	-1.9	-1.3	-1.2	-1.1	-2.0	-1.9	-1.1	-1.7	-1.5	-1.9
Current account, % of GDP	-11.6%	-12.2%	-8.0%	-6.7%	-6.0%	-12.4%	-10.3%	-4.4%	-5.6%	-4.4%	-5.1%
Exports, US\$ bn	6.2	6.2	7.6	8.9	9.6	5.9	8.1	13.2	15.0	16.1	17.3
Imports, US\$ bn	8.7	8.5	9.4	10.8	11.2	9.0	11.2	15.6	17.8	18.9	20.6
Net current transfers, US\$ bn	1.1	1.1	1.3	1.4	1.4	1.8	2.3	3.1	3.3	3.3	3.3
Net FDI, US\$ bn	1.4	1.2	1.7	1.0	1.1	0.6	0.9	1.9	1.6	0.9	0.9
Net FDI, % of GDP	9.3%	8.1%	10.4%	5.6%	6.2%	3.5%	4.9%	7.7%	5.2%	2.7%	2.5%
Gross international reserves, US\$ bn	2.5	2.8	3.0	3.3	3.5	3.9	4.3	4.9	5.0	4.4	4.4
<b>Financial sector</b>											
Bank loan portfolio, US\$ bn	6.7	7.1	8.6	9.9	11.1	11.7	13.9	16.6	19.6	22.2	25.1
Bank loan portfolio, % of GDP	46.4%	51.7%	53.9%	58.6%	64.2%	76.8%	71.0%	61.5%	65.1%	67.7%	70.6%
Monetary policy rate, %	8.0%	6.5%	7.3%	7.0%	9.0%	8.0%	10.5%	11.0%	9.50%	8.00%	8.00%

Source: NBS, MOF, Geostat, Galt &amp; Taggart

Note 1: Fiscal balance according to IMF Program Definition

Note 2: Exports and imports include both – goods and services

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### Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

### Chief Economist

Lasha Kavtaradze | lashakavtaradze@gt.ge

### Galt & Taggart

**Address:** 3 A. Pushkin Street, Tbilisi 0105, Georgia

**Tel:** + (995) 32 2401 111

**Email:** research@gt.ge